

Internal Revenue Service

Department of the Treasury

District
Director

1100 Commerce St Dallas Texas 75242

Person to Contact

██████████
Telephone Number

██████████
Home Address to

████████████████████
Date

JUL 2 1991

Dear Sir or Madam:

We have completed our consideration of your application for recognition of tax exempt status under section 501(c)(3) of the Internal Revenue Code.

The information submitted indicates that you were incorporated in the State of ██████████. According to Article IV of your Articles of Incorporation, the purpose for which your corporation has been formed is to carry on and operate a non-profit water and water treatment system, a private sanitary sewage system for the treatment and/or disposal of effluent generated by or within ██████████ subdivision and for the operation and maintenance of all roads and streets and the park areas and other common areas located within said subdivision. In addition, Article IV(b) states that you are formed to construct, repair, and maintain buildings, sewer and water lines, sewage lagoons, effluent and water treatment plants, and other improvements thereon and thereto. According to Article IV(f) of your Articles, you are formed to make and collect assessments, dues or service charges for operation of the water and sanitary sewage system and roads, streets, parks and common areas of the corporation and ██████████ subdivision.

According to Article III(2) of your Bylaws, your corporation shall own, operate and manage a sanitary sewage system which shall service ██████████ subdivision so as to assure its members continued service of a community sewage system at reasonable rates.

According to Article IV(1) of your Bylaws, membership in your corporation shall be automatically acquired by each purchaser of a lot within the ██████████ subdivision.

According to your application, your activities include:

- The maintenance of water/sewer, including the billing and collecting of fees.
- The repair of the water and sewer system.
- The maintenance of the roads and common areas of the subdivision.

Section 501(c)(3) of the Internal Revenue Code provides exemption to organizations which are organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation and which does not participate in, or intervene in any political campaign on behalf of any candidate for public office.

Since your organization is not organized or operated exclusively for religious, charitable, scientific, literary, or educational purposes, you do not qualify for exemption under section 501(c)(3).

On [REDACTED], a 1024 application for exemption under section 501(c)(4) was received. However, this 1024 was not signed. Despite this, we have considered your exemption under section 501(c)(4).

Section 501(c)(4) provides exemption to civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.

Section 1.501(c)(4)-1(a)(2) of the Income Tax Regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterment and social improvements.

In the Revenue Ruling 69-280, 1969-1, C.B. 152, a non-profit organization formed to provide maintenance of exterior walls and roofs of homes of members who own houses in a development did not qualify for exemption under section 501(c)(4).

Your organization's primary purpose and activity is to provide a service to your members. By providing this service, you are operated for the benefit of your members and not for the benefit of the community. The service is one which is not usually carried on by a commercial business. Additionally, the activities carried on by your organization are similar to those organizations described in Revenue Ruling 69-280. Therefore, you do not qualify for exemption under section 501(c)(4) of the Internal Revenue Code.

[REDACTED]

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

If this determination letter becomes a final determination, we will notify the appropriate State officials, as required by section 6104(c) of the Code, that based on the information we have, we are unable to recognize you as an organization of the type described in Code section 501(c)(3).

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018